

**TRUMP TAJ MAHAL CASINO RESORT  
QUARTERLY REPORT  
FOR THE QUARTER ENDED SEPTEMBER 30, 2006**

**SUBMITTED TO THE  
CASINO CONTROL COMMISSION  
OF THE  
STATE OF NEW JERSEY**



**DIVISION OF FINANCIAL EVALUATION  
REPORTING MANUAL**

# TRUMP TAJ MAHAL CASINO RESORT

## BALANCE SHEETS

AS OF SEPTEMBER 30, 2006 AND 2005

(UNAUDITED)  
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2006 (c)	2005 (d)
	<u>ASSETS:</u>			
	Current Assets:			
1	Cash and Cash Equivalents.....		\$44,286	\$64,478
2	Short-Term Investments.....			
3	Receivables and Patrons' Checks (Net of Allowance for Doubtful Accounts - 2006, \$6,319; 2005, \$8,151).....		28,337	19,001
4	Inventories .....		4,138	4,926
5	Other Current Assets.....		7,669	5,676
6	Total Current Assets.....		84,430	94,081
7	Investments, Advances, and Receivables.....		21,701	17,448
8	Property and Equipment - Gross.....	2, 6	825,861	782,854
9	Less: Accumulated Depreciation and Amortization.....	2, 6	(43,529)	(10,944)
10	Property and Equipment - Net.....	2, 6	782,332	771,910
11	Other Assets.....	2, 4, 6	191,456	184,208
12	Total Assets.....		\$1,079,919	\$1,067,647
	<u>LIABILITIES AND EQUITY:</u>			
	Current Liabilities:			
13	Accounts Payable.....		\$6,930	\$6,975
14	Notes Payable.....			
	Current Portion of Long-Term Debt:			
15	Due to Affiliates.....			
16	External.....		7,405	12,828
17	Income Taxes Payable and Accrued.....	5	8,777	7,810
18	Other Accrued Expenses.....		34,640	21,632
19	Other Current Liabilities.....		12,709	15,507
20	Total Current Liabilities.....		70,461	64,752
	Long-Term Debt:			
21	Due to Affiliates.....	2, 3, 6	568,327	575,000
22	External.....	3	1,593	8,654
23	Deferred Credits .....			
24	Other Liabilities.....		17,611	400
25	Commitments and Contingencies.....	11		
26	Total Liabilities.....		657,992	648,806
27	Stockholders', Partners', or Proprietor's Equity.....	2, 6, 8	421,927	418,841
28	Total Liabilities and Equity.....		\$1,079,919	\$1,067,647

The accompanying notes are an integral part of the financial statements.  
Valid comparisons cannot be made without using information contained in the notes.

# TRUMP TAJ MAHAL CASINO RESORT

## STATEMENTS OF INCOME

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2006 AND 2005

(UNAUDITED)  
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2006 (c)	2005 (d)
	Revenue:			
1	Casino.....		\$401,481	\$386,138
2	Rooms.....		26,828	24,504
3	Food and Beverage.....		43,968	41,468
4	Other.....		17,179	14,193
5	Total Revenue.....		489,456	466,303
6	Less: Promotional Allowances.....		106,409	107,336
7	Net Revenue.....		383,047	358,967
	Costs and Expenses:			
8	Cost of Goods and Services.....		224,101	218,311
9	Selling, General, and Administrative.....		61,966	53,641
10	Provision for Doubtful Accounts.....		1,879	(292)
11	Total Costs and Expenses.....		287,946	271,660
12	Gross Operating Profit.....		95,101	87,307
13	Depreciation and Amortization.....		25,943	30,233
	Charges from Affiliates Other than Interest:			
14	Management Fees.....			
15	Other.....	7	4,961	4,137
16	Income (Loss) from Operations.....		64,197	52,937
	Other Income (Expenses):			
17	Interest Expense - Affiliates.....	2, 3, 6	(36,890)	(54,537)
18	Interest Expense - External.....	3	(1,746)	(2,080)
19	CRDA Related Income (Expense) - Net.....		(1,702)	(1,627)
20	Nonoperating Income (Expense) - Net.....	9	1,459	105,345
21	Total Other Income (Expenses).....		(38,879)	47,101
22	Income (Loss) Before Taxes and Extraordinary Items.....		25,318	100,038
23	Provision (Credit) for Income Taxes.....	5	2,880	1,936
24	Income (Loss) Before Extraordinary Items.....		22,438	98,102
25	Extraordinary Items (Net of Income Taxes - 2006, \$0; 2005, \$0).....	10		143,353
26	Net Income (Loss).....		\$22,438	\$241,455

The accompanying notes are an integral part of the financial statements.  
Valid comparisons cannot be made without using information contained in the notes.

# TRUMP TAJ MAHAL CASINO RESORT

## STATEMENTS OF INCOME

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2006 AND 2005

(UNAUDITED)  
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2006 (c)	2005 (d)
	Revenue:			
1	Casino.....		\$148,365	\$139,709
2	Rooms.....		10,119	9,155
3	Food and Beverage.....		16,553	15,166
4	Other.....		8,601	6,484
5	Total Revenue.....		183,638	170,514
6	Less: Promotional Allowances.....		43,241	38,611
7	Net Revenue.....		140,397	131,903
	Costs and Expenses:			
8	Cost of Goods and Services.....		80,530	78,583
9	Selling, General, and Administrative.....		21,690	17,050
10	Provision for Doubtful Accounts.....		712	(1,141)
11	Total Costs and Expenses.....		102,932	94,492
12	Gross Operating Profit.....		37,465	37,411
13	Depreciation and Amortization.....		8,980	7,935
	Charges from Affiliates Other than Interest:			
14	Management Fees.....			
15	Other.....	7	1,899	1,273
16	Income (Loss) from Operations.....		26,586	28,203
	Other Income (Expenses):			
17	Interest Expense - Affiliates.....	2, 3, 6	(12,245)	(12,398)
18	Interest Expense - External.....	3	(512)	(139)
19	CRDA Related Income (Expense) - Net.....		(625)	(589)
20	Nonoperating Income (Expense) - Net.....	9	342	24
21	Total Other Income (Expenses).....		(13,040)	(13,102)
22	Income (Loss) Before Taxes and Extraordinary Items.....		13,546	15,101
23	Provision (Credit) for Income Taxes.....	5	1,363	695
24	Income (Loss) Before Extraordinary Items.....		12,183	14,406
	Extraordinary Items (Net of Income Taxes -			
25	2006, \$0; 2005, \$0).....	10		
26	Net Income (Loss).....		\$12,183	\$14,406

The accompanying notes are an integral part of the financial statements.  
Valid comparisons cannot be made without using information contained in the notes.

# TRUMP TAJ MAHAL CASINO RESORT

## STATEMENTS OF CHANGES IN PARTNERS' OR PROPRIETOR'S EQUITY

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2005  
AND THE NINE MONTHS ENDED SEPTEMBER 30, 2006

(UNAUDITED)  
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	Contributed Capital (c)	Accumulated Earnings (Deficit) (d)	   (e)	Total Equity (Deficit) (f)
1	Balance, December 31, 2004.....		\$39,342	(\$82,562)		(\$43,220)
2	Net Income (Loss) - 2005.....			242,362		242,362
3	Capital Contributions.....					0
4	Capital Withdrawals.....					0
5	Partnership Distributions.....		(28,306)			(28,306)
6	Prior Period Adjustments.....					0
7	Capitalization on May 19		405,923			405,923
8	Less: May 19 Balance		(31,563)	(143,708)		(175,271)
9						0
10	Balance, December 31, 2005.....		385,396	16,092	0	401,488
11	Net Income (Loss) - 2006.....			22,438		22,438
12	Capital Contributions.....					0
13	Capital Withdrawals.....					0
14	Partnership Distributions.....	8	(2,080)			(2,080)
15	Prior Period Adjustments.....					0
16	Restrictive Stock Awards		81			81
17						0
18						0
19	Balance, September 30, 2006.....		\$383,397	\$38,530	\$0	\$421,927

The accompanying notes are an integral part of the financial statements.  
Valid comparisons cannot be made without using information contained in the notes.

# TRUMP TAJ MAHAL CASINO RESORT

## STATEMENTS OF CASH FLOWS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2006 AND 2005

(UNAUDITED)  
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2006 (c)	2005 (d)
1	CASH PROVIDED (USED) BY OPERATING ACTIVITIES..		\$54,848	\$52,826
	CASH FLOWS FROM INVESTING ACTIVITIES:			
2	Purchase of Short-Term Investments .....			
3	Proceeds from the Sale of Short-Term Investments .....			
4	Cash Outflows for Property and Equipment.....		(39,426)	(20,007)
5	Proceeds from Disposition of Property and Equipment.....			1,500
6	CRDA Obligations .....		(4,787)	(4,631)
7	Other Investments, Loans and Advances made.....			
8	Proceeds from Other Investments, Loans, and Advances .....			
9	Cash Outflows to Acquire Business Entities.....		0	0
10				
11				
12	Net Cash Provided (Used) By Investing Activities.....		(44,213)	(23,138)
	CASH FLOWS FROM FINANCING ACTIVITIES:			
13	Proceeds from Short-Term Debt .....			
14	Payments to Settle Short-Term Debt.....			
15	Proceeds from Long-Term Debt .....			
16	Costs of Issuing Debt.....			
17	Payments to Settle Long-Term Debt.....		(16,726)	(8,269)
18	Cash Proceeds from Issuing Stock or Capital Contributions...		0	0
19	Purchases of Treasury Stock.....			
20	Payments of Dividends or Capital Withdrawals.....			
21	Partnership Distribution .....		(2,080)	(10,046)
22				
23	Net Cash Provided (Used) By Financing Activities.....		(18,806)	(18,315)
24	Net Increase (Decrease) in Cash and Cash Equivalents.....		(8,171)	11,373
25	Cash and Cash Equivalents at Beginning of Period.....		52,457	53,105
26	Cash and Cash Equivalents at End of Period.....		\$44,286	\$64,478
	CASH PAID DURING PERIOD FOR:			
27	Interest (Net of Amount Capitalized).....		\$26,541	\$29,940
28	Income Taxes.....		\$175	\$263

The accompanying notes are an integral part of the financial statements.  
Valid comparisons cannot be made without using information contained in the notes.

# TRUMP TAJ MAHAL CASINO RESORT

## STATEMENTS OF CASH FLOWS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2006 AND 2005

(UNAUDITED)

(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2006 (c)	2005 (d)
	<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
29	Net Income (Loss).....		\$22,438	\$241,455
30	Depreciation and Amortization of Property and Equipment.....		25,943	30,233
31	Amortization of Other Assets.....		551	268
32	Amortization of Debt Discount or Premium.....			
33	Deferred Income Taxes - Current .....			
34	Deferred Income Taxes - Noncurrent .....			
35	(Gain) Loss on Disposition of Property and Equipment.....			
36	(Gain) Loss on CRDA-Related Obligations.....		1,702	1,627
37	(Gain) Loss from Other Investment Activities.....			
38	(Increase) Decrease in Receivables and Patrons' Checks .....		(5,350)	(3,957)
39	(Increase) Decrease in Inventories .....		161	(161)
40	(Increase) Decrease in Other Current Assets.....		(3,127)	(1,290)
41	(Increase) Decrease in Other Assets.....		1,121	(869)
42	Increase (Decrease) in Accounts Payable.....		(2,130)	(3,316)
43	Increase (Decrease) in Other Current Liabilities .....		13,458	36,705
44	Increase (Decrease) in Other Liabilities .....			
45	Reorganization Expense .....	2, 6		(104,516)
46	Restrictive Stock Awards / Gain Debt Extinguis.....	2, 6	81	(143,353)
47	Net Cash Provided (Used) By Operating Activities.....		\$54,848	\$52,826

### SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	<b>ACQUISITION OF PROPERTY AND EQUIPMENT:</b>			
48	Additions to Property and Equipment.....		(\$39,471)	(\$20,307)
49	Less: Capital Lease Obligations Incurred.....		45	300
50	Cash Outflows for Property and Equipment.....		(\$39,426)	(\$20,007)
	<b>ACQUISITION OF BUSINESS ENTITIES:</b>			
51	Property and Equipment Acquired.....			
52	Goodwill Acquired.....			
53	Other Assets Acquired - net .....			
54	Long-Term Debt Assumed.....			
55	Issuance of Stock or Capital Invested.....			
56	Cash Outflows to Acquire Business Entities.....		\$0	\$0
	<b>STOCK ISSUED OR CAPITAL CONTRIBUTIONS:</b>			
57	Total Issuances of Stock or Capital Contributions.....		\$0	\$0
58	Less: Issuances to Settle Long-Term Debt.....		0	0
59	Consideration in Acquisition of Business Entities.....		0	0
60	Cash Proceeds from Issuing Stock or Capital Contributions.....		\$0	\$0

The accompanying notes are an integral part of the financial statements.  
Valid comparisons cannot be made without using information contained in the notes.

# TRUMP TAJ MAHAL CASINO RESORT

## SCHEDULE OF PROMOTIONAL EXPENSES AND ALLOWANCES

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2006

(UNAUDITED)  
(\$ IN THOUSANDS)

Line (a)	Description (b)	Promotional Allowances		Promotional Expenses	
		Number of Recipients (c)	Dollar Amount (d)	Number of Recipients (e)	Dollar Amount (f)
1	Rooms	220,042	\$17,824		
2	Food	1,268,760	20,149		
3	Beverage	5,053,182	8,468		
4	Travel			66,214	7,642
5	Bus Program Cash	436,819	6,915		
6	Other Cash Complimentaries	1,072,872	50,040		
7	Entertainment	14,449	1,519	14,579	1,422
8	Retail & Non-Cash Gifts			82,981	6,053
9	Parking				
10	Other *	24,557	1,494	50,233	2,098
11	Total	8,090,681	\$106,409	214,007	\$17,215

\* Includes banquet gratuities on in-house events.

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2006

Line (a)	Description (b)	Promotional Allowances		Promotional Expenses	
		Number of Recipients (c)	Dollar Amount (d)	Number of Recipients (e)	Dollar Amount (f)
1	Rooms	84,441	\$7,094		
2	Food	515,168	8,123		
3	Beverage	1,834,437	3,096		
4	Travel			23,667	2,799
5	Bus Program Cash	157,683	2,726		
6	Other Cash Complimentaries	412,571	20,290		
7	Entertainment	12,359	1,338	1,365	339
8	Retail & Non-Cash Gifts			29,602	2,324
9	Parking				
10	Other *	10,177	574	17,588	1,163
11	Total	3,026,836	\$43,241	72,222	\$6,625

\* Includes banquet gratuities on in-house events.



# TRUMP TAJ MAHAL CASINO RESORT STATEMENT OF CONFORMITY, ACCURACY, AND COMPLIANCE

FOR THE QUARTER ENDED SEPTEMBER 30, 2006

1. I have examined this Quarterly Report
2. All the information contained in this Quarterly Report has been prepared in conformity with the Casino Control Commission's Quarterly Report Instructions and Uniform Chart of Accounts.
3. To the best of my knowledge and belief, the information contained in this report is accurate.
4. To the best of my knowledge and belief, except for the deficiencies noted below, the licensee submitting this Quarterly Report has remained in compliance with the financial stability regulations contained in N.J.A.C. 19:43-4.2(b)1-5 during the quarter.

11/14/2006

\_\_\_\_\_  
Date



\_\_\_\_\_  
James L. Wright

\_\_\_\_\_  
Director of Finance

\_\_\_\_\_  
Title

\_\_\_\_\_  
003507-11

\_\_\_\_\_  
License Number

On Behalf of:

TRUMP TAJ MAHAL CASINO RESORT

Casino Licensee

**TRUMP TAJ MAHAL CASINO RESORT**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2006**  
**(Unaudited)**

**NOTE 1 - GENERAL**

Organization and Operations

Trump Taj Mahal Associates, a New Jersey Limited Liability Corporation ("Taj Associates" or the "Company") is 100% beneficially owned by Trump Entertainment Resorts Holdings, L.P. (formerly known as Trump Hotels & Casino Resorts Holdings, L.P. ("THCR")), a Delaware Limited Partnership ("TER Holdings"). Trump Entertainment Resorts, Inc. (formerly known as Trump Hotels & Casino Resorts, Inc.), a Delaware corporation ("TER") currently beneficially owns an approximately 76.5% profits interest in TER Holdings, as both a general and limited partner, and Donald J. Trump ("Mr. Trump") owns directly and indirectly an approximately 23.5% profits interest in TER Holdings, as a limited partner. In addition, TER Holdings beneficially wholly owns:

- Trump Plaza Associates, LLC ("Plaza Associates"), which owns and operates the Trump Plaza Hotel and Casino ("Trump Plaza"), located at the center of the Boardwalk in Atlantic City, New Jersey.
- Trump Marina Associates, LLC ("Marina Associates"), which owns and operates the Trump Marina Hotel Casino ("Trump Marina"), located in Atlantic City's marina district.

Taj Associates owns and operates the Trump Taj Mahal Casino Resort (the "Taj Mahal"), an Atlantic City, New Jersey hotel, casino and convention center complex. The Taj Mahal, Trump Plaza and Trump Marina are collectively referred to as the "Trump Atlantic City Properties." The Atlantic City market is very competitive and is anticipated to become more competitive in the future. Taj Associates derives its revenue from casino operations, room rental, food and beverage sales, and entertainment revenue.

The casino industry in Atlantic City is seasonal in nature with the peak season being the spring and summer months. Accordingly, results of operations for the three and nine months ended September 30, 2006 and 2005 are not necessarily indicative of the operating results for a full year.

Reclassifications

Certain reclassifications and disclosures have been made to prior year financial statements in order to conform to the current year presentation.

**NOTE 2- REORGANIZATION AND EMERGENCE FROM CHAPTER 11**

On November 21, 2004, Trump Hotels & Casino Resorts, Inc. and its subsidiaries (collectively, the "Debtors") filed voluntary petitions for relief under chapter 11 of the United States Bankruptcy Code (the "Bankruptcy Code") in the United States Bankruptcy Court for the District of New Jersey (the "Bankruptcy Court"), as part of a pre-arranged plan of reorganization. While in bankruptcy, the Debtors continued to manage their properties and operate their businesses as "debtors-in-possession" under the jurisdiction of the Bankruptcy Court.

On April 5, 2005, the Bankruptcy Court entered an order confirming the Second Amended and Restated Joint Plan of Reorganization, dated as of March 30, 2005, of the Debtors, as amended (the "Plan"). The Plan became effective on May 20, 2005 (the "Effective Date"), at which time all material conditions to the Plan were satisfied and the Debtors emerged from chapter 11.

Basis of Presentation

The accompanying financial statements have been prepared in accordance with the rules and regulations of the Casino Control Commission of the State of New Jersey (the "CCC"). Accordingly, certain information and note disclosures normally included in financial statements prepared in conformity with accounting principles generally accepted in the United States have been condensed or omitted. These financial statements should be read in conjunction with the financial statements and notes thereto included in Taj Associates' December 31, 2005 Quarterly Report as filed with the CCC.

From the filing of the Debtors' chapter 11 petition to the Effective Date, THCR and its subsidiaries operated as debtors-in-possession under the jurisdiction of the Bankruptcy Court. Accordingly, Taj Associates financial statements for periods prior to its emergence from chapter 11, were prepared in accordance with the American Institute of Certified Public Accountants Statement of Position 90-7, "Financial Reporting by Entities in Reorganization under the Bankruptcy Code" ("SOP 90-7"). SOP 90-7 required the reporting of pre-petition liabilities that were subject to compromise separately on the balance sheet at an estimate of the amount ultimately allowable by the Bankruptcy Court. SOP 90-7 also required separate reporting of certain expenses relating to the Debtors' chapter 11 filings as reorganization items.

**TRUMP TAJ MAHAL CASINO RESORT**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2006**  
**(Unaudited)**

Upon emergence from chapter 11, the Company adopted fresh-start reporting in accordance with SOP 90-7. Under fresh-start reporting, a new entity was deemed to have been created for financial reporting purposes and the recorded amounts of assets and liabilities were adjusted to reflect their estimated fair values. The term, "Predecessor Company" refers to the Company for periods prior to and including May 19, 2005, and the term "Reorganized Company" refers to the Company for periods on and subsequent to May 20, 2005. As a result of the adoption of fresh-start reporting, the Reorganized Company's post-emergence financial statements are generally not comparable with the financial statements of the Predecessor Company prior to its emergence from bankruptcy, including the historical financial statements included in this quarterly report. Due to the adoption of fresh-start reporting, the Predecessor Company and Reorganized Company financial statements are prepared on different bases. See Note 6 for a condensed balance sheet showing the impact of fresh-start accounting at May 20, 2005.

**Financial Reporting Under the Bankruptcy Code**

From November 21, 2004 to May 19, 2005, the Company accounted for its operations under SOP 90-7. In accordance with SOP 90-7, certain expenses incurred and benefits realized by the Company during the bankruptcy period were recorded as reorganization expenses in the accompanying statements of income. Reorganization expenses also include professional fees and other expenses directly associated with the bankruptcy process.

The following table summarizes reorganization income (expense):

	<u>Predecessor Company</u> For the period ended May 19, 2005
Professional fees and expenses .....	\$ (30,000)
Net fresh-start reorganization gain .....	104,517,000
	<u>\$ 104,487,000</u>

**NOTE 3 - LONG-TERM DEBT**

Long-term debt consists of the following:

	September 30,	2005
	2006	
Note Payable - TER and TER Funding 8.5% Senior Secured Notes, due 2015 (a) .....	\$ 568,327,000	\$ 575,000,000
Capitalized lease obligations (b) .....	8,998,000	21,482,000
	<u>577,325,000</u>	<u>596,482,000</u>
Less: current maturities .....	(7,405,000)	(12,828,000)
	<u>\$ 569,920,000</u>	<u>\$ 583,654,000</u>

- (a) In May 2005, TER and TER Funding, Inc., ("TER Funding"), a wholly owned subsidiary of TER issued \$1,250,000,000 principal amount of 8.50% First Mortgage Notes due June 1, 2015 (the "TER Notes"). Interest on the TER Notes is payable semi-annually on each June 1 and December 1 commencing on May 20, 2005 initially payable December 1, 2005.

TER allocated \$575,000,000 to Taj Associates with interest at 8.50%, due June 1, 2015 with the same terms as the TER Notes. Subsequently, TER revised the allocation to \$574,327,000 due to revisions to the initial issuance of the TER Notes.

From time to time Taj Associates makes payments to TER Funding to reduce intercompany debt based on available excess cash balances. For the nine months ended September 30, 2006 Taj Associates made principal payments in the amount of \$6,000,000.

- (b) Interest on these leases are payable with interest rates ranging from 4.5% to 18.2%. The leases are due at various dates between 2006 and 2009 and are secured by the equipment financed.

**TRUMP TAJ MAHAL CASINO RESORT**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2006**  
**(Unaudited)**

The TER Notes are senior obligations of the issuers and are guaranteed on a senior basis by us on a joint and several basis, and rank senior in right of payment to the issuers' and our subordinated indebtedness. Notwithstanding the foregoing, because amounts borrowed under TER's Credit Agreement are secured by substantially all the assets of the issuers and the Guarantors on a priority basis, the TER Notes and the guarantees thereof are effectively subordinated to amounts borrowed under TER's Credit Agreement.

TER's various debt agreements restrict the ability of TER and its subsidiaries to make distributions or pay dividends unless certain financial ratios are achieved and to make distributions from TER Holdings to TER. In addition, the ability of the Company, Trump Marina or Trump Plaza to make payments to TER may be restricted by the CCC.

**TER's Senior Secured Credit Facility**

On May 20, 2005, TER and TER Holdings entered into an agreement for a \$500,000,000 senior secured credit facility (the "Credit Agreement") with a group of lenders. Pursuant to the Credit Agreement, as amended, the lenders have agreed to provide TER Holdings (i) a revolving credit facility in the amount of \$200,000,000, (ii) a single-draw term loan facility in the amount of \$150,000,000, which was drawn on the Effective Date, and (iii) a delayed draw term loan facility in the amount of \$150,000,000, which may be drawn in multiple borrowings through November 20, 2006. The TER Credit Agreement also includes a sub-facility for letters of credit in an amount of up to \$70,000,000. At June 30, 2006, TER had outstanding letters of credit of \$40,000,000 under the Credit Agreement.

Proceeds from the term loans may be utilized to (i) pay off amounts outstanding under the debtor-in-possession financing, which occurred on the Effective Date, (ii) fund the construction of a new tower at the Trump Taj Mahal, (iii) pay fees and expenses in connection with our restructuring, and (iv) provide for ongoing working capital and general corporate needs; provided that \$150,000,000 of the term loan is restricted to fund construction of the new tower at the Trump Taj Mahal. The Credit Facility may be used to fund ongoing working capital requirements of TER Holdings and its subsidiaries and other general corporate purposes. The revolving credit facility matures on May 20, 2010. The term loan matures on May 20, 2012, and must be repaid during the final year of such loans in equal quarterly amounts, subject to amortization of approximately 1.0% per year prior to the final year.

Borrowings under the Credit Agreement are secured by a first priority security interest on substantially all the assets of TER Holdings and its subsidiaries. TER Holdings' obligations under the Credit Agreement are guaranteed by TER and each of its direct and indirect subsidiaries. TER and its subsidiaries are subject to a number of affirmative and negative covenants and must comply with certain financial covenants. Such financial covenants include maintenance of a leverage ratio of 8.75 to 1, a lien coverage ratio of 2.25 to 1 and an interest coverage ratio of 1.35 to 1. On September 28, 2006, TER and TER Holdings entered into Amendment No. 2 to the Credit Facility. Under the terms of the Amendment, the definition of earnings before interest expense, income taxes, depreciation and amortization ("EBITDA") for financial covenant purposes was modified. Under the new definition, we are allowed to adjust our calculation of EBITDA for the impact of the three-day closing of our gaming operations during July 2006 as mandated by the State of New Jersey Casino Control Commission. At September 30, 2006, TER was in compliance with our covenants.

**NOTE 4 – GOODWILL**

A rollforward of goodwill for the period from December 31, 2005 to September 30, 2006 is as follows:

Balance, December 31, 2005 .....	\$	94,072,000
Non-cash charge in lieu of taxes .....		(1,167,000)
Adjustment to reduce intercompany debt due to revisions to initial issuances .....		(673,000)
Balance, September 30, 2006 .....	\$	<u>92,232,000</u>

**NOTE 5 - INCOME TAXES**

The accompanying financial statements do not include a provision for federal income taxes since the Predecessor Company is a partnership for federal income tax purposes and the Reorganized Company is a division of TER Holdings, which is taxed as a partnership, for federal income tax purposes. Therefore, the Predecessor Company's income and losses are allocated and reported for federal income tax purposes by its partners and the Reorganized Company's income and losses are allocated and reported for federal income tax purposes by TER Holdings' partners.

**TRUMP TAJ MAHAL CASINO RESORT**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2006**  
**(Unaudited)**

The state income tax provision attributable to income (loss) from continuing operations before income taxes is as follows:

	Successor Company		Predecessor Company
	Nine Months Ended September 30, 2006	May 20, 2005 through September 30, 2005	January 1, 2005 through May 19, 2005
Current expense .....	\$ 1,713,000	\$ 990,000	\$ 947,000
Deferred expense .....	—	—	—
Non-cash charge in lieu of taxes .....	1,167,000	—	—
	<u>\$ 2,880,000</u>	<u>\$ 990,000</u>	<u>\$ 947,000</u>

Our current federal income tax provision reflects the utilization of net operating loss carryforwards and the deferred income tax provision reflects the impact of changes to the valuation allowances. The non-cash charge in lieu of taxes represents the utilization of pre-reorganization tax benefits that are reflected as a reduction to goodwill. Predecessor Company net operating losses utilized to offset taxable income of the Reorganized Company are recorded in our provision for income taxes as a non-cash charge in lieu of taxes and as a reduction to goodwill, if available, and then to other intangible assets and additional paid-in-capital to the extent goodwill would be reduced to zero. For the nine months ended September 30, 2006, our goodwill has been reduced by \$1,167,000 for our non-cash charge in lieu of taxes.

State income taxes for Taj Associates' New Jersey operations are computed under the alternative minimum assessment method. Taj Associates believes it is exempt from these taxes and, as such, have not remitted payments of the amounts provided. The New Jersey Division of Taxation has issued an assessment to collect the unpaid taxes for the tax years 2002 and 2003. At September 30, 2006, Taj Associates has accrued \$10,315,000 for taxes and interest relating to this alternative minimum tax assessment for 2002 and 2003, as well as the open years 2004 through September 30, 2006. Taj Associates is currently in discussions with the New Jersey Division of Taxation.

Taj Associates is currently involved in examinations with the IRS concerning our federal partnership income tax returns for the tax years 2002 and 2003. While any adjustments resulting from this examination could affect our specific state income tax returns, we do not believe that adjustments, if any, will have a material adverse effect on our financial condition or results of operations.

*Recently Issued Accounting Pronouncements.* In July 2006, the Financial Accounting Standards Board ("FASB") issued Interpretation No. 48 ("FIN 48"), "Accounting for Uncertainty in Income Taxes," which clarifies the accounting for uncertainty in income taxes recognized in the financial statements in accordance with FASB Statement No. 109, "Accounting for Income Taxes." FIN 48 provides guidance on the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosures, and transition. FIN 48 is effective for fiscal years beginning after December 15, 2006. We are currently evaluating the impact of FIN 48 on our financial statements.

**NOTE 6 - FRESH-START REPORTING**

TER and its subsidiaries adopted fresh-start reporting upon its emergence from chapter 11 on the Effective Date in accordance with SOP 90-7. TER and its subsidiaries are required to apply the fresh-start provisions of SOP 90-7 to its financial statements because (i) the reorganization value of the assets of the emerging entity immediately before the date of confirmation was less than the total of all post-petition liabilities and allowed claims and (ii) the holders of existing voting shares of THCR Common Stock immediately before confirmation (i.e., the holders of shares of the common stock of the Predecessor Company (the "Old Common Stock") that were issued and outstanding prior to the commencement of the chapter 11 proceedings) received less than 50 percent of the voting shares of the emerging entity. Under SOP 90-7, application of fresh-start reporting is required on the date on which the plan of reorganization is confirmed by a bankruptcy court, but SOP 90-7 further provides that fresh-start reporting should not be applied until all material conditions are satisfied. All material conditions to the Plan were satisfied as of May 20, 2005.

**TRUMP TAJ MAHAL CASINO RESORT**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2006**  
**(Unaudited)**

The Company and TER have elected to apply "push-down" accounting with regard to the impact of fresh-start reporting on subsidiary financial statements. Fresh-start reporting requires that the Company adjust the historical cost of its assets and liabilities to their fair value as determined by the reorganization value of the Company as set forth in the Plan. Furthermore, the reorganization value must be allocated among the reorganized entity's net assets in conformity with procedures specified by Statement of Financial Accounting Standards ("SFAS") No. 141, "Business Combinations" ("SFAS 141"). TER had engaged an independent appraiser to assist TER in the allocation of reorganization value under the Plan to TER's assets and liabilities including Trump Taj Mahal. The Company used the independent appraiser's analysis and other information to make the allocations as of the Effective Date. The Company's intangibles include trademarks (including a perpetual, exclusive royalty-free license of the "Trump" name and certain derivatives thereof, subject to certain terms and conditions), customer relationships, leasehold interests and goodwill. The adoption of fresh-start reporting resulted in the following adjustments to the Company's balance sheet as of May 20, 2005:

	Predecessor Company May 20, 2005	Reorganization of Debt and Equity (1)	Fresh Start Adjustments (2)	Reorganized Company May 20, 2005
	(In thousands)			
<b>Assets</b>				
Current Assets:				
Cash and cash equivalents	\$ 43,496	\$ —	\$ —	\$ 43,496
Receivable, net	19,467	—	—	19,467
Other current assets	12,134	—	837	12,971
Total current assets	75,097	—	837	75,934
Property and equipment, net	821,800	—	(49,356)	772,444
Other assets	24,435	—	7,346	31,781
Intangible assets	—	—	186,506	186,506
<b>TOTAL ASSETS</b>	<b>\$ 921,332</b>	<b>\$ —</b>	<b>\$ 145,333</b>	<b>\$ 1,066,665</b>
<b>LIABILITIES AND EQUITY (DEFICIT)</b>				
CURRENT LIABILITIES:				
Current maturities of long-term debt	\$ 12,449	\$ —	\$ —	\$ 12,449
Accounts Payable and accrued expenses	42,724	—	—	42,724
Due to affiliates, net	47	—	—	47
Accrued interest payable	89,102	(89,102)	—	—
<b>TOTAL CURRENT LIABILITIES</b>	<b>144,322</b>	<b>(89,102)</b>	<b>—</b>	<b>55,220</b>
NON-CURRENT LIABILITIES				
Long-term debt, net of current maturities	849,489	(261,750)	—	587,739
Deferred income taxes	—	—	17,383	17,383
Other long-term liabilities	400	—	—	400
<b>TOTAL LIABILITIES</b>	<b>994,211</b>	<b>(350,852)</b>	<b>17,383</b>	<b>660,742</b>
PARTNERS'/OWNER'S EQUITY (DEFICIT)				
Predecessor Company	(72,879)	72,879	—	—
Reorganized Company	—	277,973	127,950	405,923
Partners'/owner's equity (deficit)	(72,879)	350,852	127,950	405,923
<b>TOTAL LIABILITIES AND PARTNERS'/OWNER'S EQUITY (DEFICIT)</b>	<b>\$ 921,332</b>	<b>\$ —</b>	<b>\$ 145,333</b>	<b>\$ 1,066,665</b>

- (1) To record the reorganization of debt and equity in accordance with the Plan, including the discharge of pre-petition liabilities comprised principally of \$261,750 million of Trump Atlantic City First Mortgage Notes (the "TAC Notes") and \$54,329 of accrued interest thereon.

**TRUMP TAJ MAHAL CASINO RESORT**  
**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2006**

**(Unaudited)**

- (2) To adjust the carrying value of assets, liabilities and partners'/owner's equity to fair value, and record on the Reorganized Company other intangibles in accordance with the fresh-start reporting requirements of SOP 90-7.

Accordingly, the Company recorded the following as intangible assets at May 20, 2005:

Trademarks.....	\$ 81,000,000
Customer Relationships.....	7,000,000
Goodwill.....	98,040,000
Leasehold Interests.....	466,000
Total.....	<u>\$ 186,506,000</u>

Customer Relationships and Leasehold Interests are being amortized on a straight-line basis over a period of seven years and one year, respectively, and are included in depreciation and amortization in the accompanying statement of operations. The trademarks have an indefinite life; accordingly, trademarks are not subject to periodic amortization but are reviewed annually for impairment. Goodwill is reviewed annually for impairment.

Net reorganization fresh-start gain as of May 20, 2005 consisted of the following:

Net gain resulting from reorganization of debt and equity .....	\$ 143,353,000
Net gain resulting from fresh-start value adjustments to assets and liabilities .....	104,517,000
Net fresh-start reorganization gain .....	<u>\$ 247,870,000</u>

The extraordinary gain from the reorganization of debt relates to the settlement of long-term debt and accrued interest at an amount less than the historical recorded value. As this gain resulted from the bankruptcy recapitalization and as such was unusual and infrequent in nature, it has been reflected as an extraordinary gain pursuant to Accounting Principles Board Number 30, "Reporting the Results of Operations-Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions," and Financial Standards Board Statement Number 145, "Rescission of FASB Statements No. 4, 41, and 62, Amendment of FASB Statement No. 13, and Technical Corrections."

**NOTE 7 - TRANSACTIONS WITH AFFILIATES**

Taj Associates has engaged in certain transactions with Mr. Trump and entities that are wholly or partially owned by Mr. Trump. Amounts receivable/(payable) at September 30 are as follows:

	September 30,	
	2006	2005
Marina Associates .....	\$ 97,000	\$ (194,000)
Plaza Associates .....	7,000	(163,000)
Trump Indiana, Inc. ....	—	(111,000)
Trump Administration .....	321,000	(3,226,000)
Trump Entertainment Resorts.....	156,000	—
	<u>\$ 581,000</u>	<u>\$ (3,694,000)</u>

Taj Associates engages in various transactions with the other Atlantic City hotel/casinos and related casino entities that are affiliates of Mr. Trump. These transactions are charged at cost or normal selling price in the case of retail items and include certain shared professional fees, insurance and payroll costs as well as complimentary services offered to customers.

Trump Taj Mahal Associates Administration, a separate division of Taj Associates ("Trump Administration") was formed for the purpose of realizing cost savings and operational synergies by consolidating certain administrative functions of, and providing certain services to Taj Associates, Plaza Associates and Marina Associates. Management believes that Trump Administration's services will continue to result in substantial cost savings and operational synergies.

**TRUMP TAJ MAHAL CASINO RESORT**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2006**  
**(Unaudited)**

**NOTE 8 - PARTNER'S/OWNER'S CAPITAL**

Partnership/Owner's Distribution

Pursuant to the indentures governing the TER Notes, Taj Associates is permitted to reimburse TER for its operating and interest expenses. During the period May 20, 2005 to September 30, 2005 and the nine months ended September 30, 2006 Taj Associates declared cash partnership distributions to TER of \$2,267,000 and \$2,080,000, respectively consisting of operating and interest expense reimbursements.

Pursuant to the indentures governing the TAC Notes, Trump Atlantic City Associates ("TAC") was permitted to reimburse THCR for its operating and interest expenses. These reimbursements were subject to limitations set forth in such indentures, including an annual limitation of \$10,000,000 in operating expense reimbursements and a life-time limitation of \$50,000,000 in interest expense reimbursements. As such, TAC's subsidiaries, Taj Associates and Plaza Associates were permitted to reimburse TAC for its interest expenses and operating expense reimbursements to THCR. During the period ended May 20, 2005, Taj Associates declared cash partnership distributions to TAC of \$7,779,000 consisting of operating expense reimbursements as well as cash to fund the payment by TAC of other expenses which were principally transaction costs related to the Plan.

**NOTE 9 - NON-OPERATING INCOME (EXPENSE)**

Non-operating income (expense) for the nine months ended September 30, 2006 and 2005 consists of:

	2006	2005
Interest income .....	\$ 1,459,000	\$ 858,000
Reorganization expense .....	—	104,487,000
	<u>\$ 1,459,000</u>	<u>\$ 105,345,000</u>

See Notes 2 and 6 for additional disclosure and discussion.

**NOTE 10 – EXTRAORDINARY GAIN ON EXTINGUISHMENT OF DEBT**

The extraordinary gain on extinguishment of debt for the nine months ended September 30, 2005 was comprised of:

	2005
Cancellation of TAC Notes payable .....	\$ 89,024,000
Cancellation of accrued interest on TAC Notes .....	54,329,000
	<u>\$ 143,353,000</u>

See Notes 2 and 6 for additional disclosure and discussion.

**NOTE 11 - COMMITMENTS AND CONTINGENCIES**

Legal Proceedings

*Chapter 11 Cases*

Although the Company has emerged from bankruptcy, the Company is still in the process of resolving various claims and other litigation in connection with the Plan, which may continue for the foreseeable future.



**TRUMP TAJ MAHAL CASINO RESORT**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2006**  
**(Unaudited)**

*401(k) Plan Participant Litigation*

On February 8, 2005, certain individuals filed a complaint in the United States District Court for the District of New Jersey, Camden Division, against certain persons and organizations that included members of the Trump Capital Accumulation Plan Administrative Committee. In their complaint, the plaintiffs alleged, among other things, that such persons and organizations, who were responsible for managing the Trump Capital Accumulation Plan, breached their fiduciary duties owed to the plan participants when THCR Common Stock held in employee accounts was allegedly sold without participant authorization if the participant did not willingly sell such shares by a specified date in accordance with the Plan. The plaintiffs brought this suit under the Employee Retirement Income Security Act of 1974 on behalf of themselves and certain other plan participants and beneficiaries and sought to have the court certify their claims as a class action. In their complaint, the plaintiffs also sought, among other things, damages for losses suffered by certain accounts of affected plan participants as a result of such allegedly improper sale of THCR Common Stock and reasonable costs and attorneys' fees. The parties have commenced discovery, which is ongoing in this matter. At this time, it is anticipated that there is sufficient insurance coverage to provide for projected legal fees and any potential contingent judgement. The insurance carrier has assumed the defense of the litigation.

*Other Litigation*

In addition to the foregoing, Taj Associates and certain of its employees are involved from time to time in other legal proceedings arising in the ordinary course of the Company's business. While any proceeding or litigation contains an element of uncertainty, management believes that the final outcomes of these other matters are not likely to have a material adverse effect on the Company's results of operations or financial condition. In general, the Company has agreed to indemnify its employees and its directors against any and all losses, claims, damages, expenses (including reasonable costs, disbursements and counsel fees) and liabilities (including amounts paid or incurred in satisfaction of settlements, judgments, fines and penalties) incurred by them in any legal proceedings absent a showing of such persons' gross negligence or malfeasance.